

PERAC AUDIT REPORT



Hampden County Contributory Retirement System



JAN. 1, 2011 - DEC. 31, 2013



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATE FITZPATRICK | ELIZABETH FONTAINE | JOHN B. LANGAN | JAMES M. MACHADO | ROBERT B. MCCARTHY

November 24, 2015

The Public Employee Retirement Administration Commission has completed an examination of the Hampden County Regional Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2013. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Harry Chadwick and Scott Henderson who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Board Minutes/Remote Participation:

Minutes were read through December 2014. At that point in time, the Board had not voted to allow remote participation by Board members. However, the Board had utilized remote participation beginning in July of 2012. Also, appropriate roll call protocol was not followed for the multiple meetings that utilized this option during the audit period.

Recommendation: The Board must comply with the Open Meeting Laws of the Commonwealth, as described in G.L. c. 30A, §§ 18-25, 940 CMR 29.00 and PERAC's Memo #31/2011.

Board Response:

Regarding Remote Participation at Board Meetings, this System acknowledges that the proper vote to allow remote participation at the Board Meeting was not taken or recorded. This has been rectified as of January 29, 2015 when a formal vote to allow remote participation was taken and recorded in the minutes of the System. All Board members were provided with a copy of PERAC Memo #31/2011 along with 940 CMR.29.00 to insure that the proper steps are taken should a Board member utilize this option.

2. Anti-spiking Refunds:

The auditor's review of retirements during the audit period included a member whose regular compensation had to be adjusted pursuant to G.L. c. 32 §5(2)(f). The contributions associated with the excluded regular compensation were not refunded. The executive director indicated that no refunds have been issued in any of the cases involving regular compensation that spiked.

Recommendation: The Board must follow G.L. c. 32 §5(2)(f), which states "Any withholdings excluded from the calculation of a member's average annual rate of regular compensation under this paragraph, shall be returned to the member with interest at the assumed actuarial rate". The assumed actuarial rate is the rate used in the System's most recent actuarial valuation (Memo #38/2012).

Board Response:

The Anti-Spiking Refunds have not been issued because there was a question in the office and with the legal counsels regarding appeal of pension reform legislation and this particular section. However, since no appeal decision has been received or acknowledged, this situation will be corrected by the end of 2015 with those individuals affected receiving the excluded withholdings plus actuarial interest.

3. Stale Checks:

A review of the bank reconciliation for the Board's checking account for the period ending December 31, 2013 revealed 13 checks outstanding for more than six months. A more recent reconciliation for activity posted through October 31, 2014 revealed 15 checks outstanding for more than six months. These 15 include 12 of the 13 checks that had been outstanding for more than six months on the reconciliation 10 months earlier.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Recommendation: Checks outstanding more than six months should be researched so that proper voiding and recording of these items can be completed. The Retirement Board should notify all retirees relative to the advantages of direct deposit as an alternative to monthly checks.

Board Response:

The Hampden County Regional Retirement System has a number of individuals who receive monthly benefits in the form of a check but hold onto the checks for months at a time. Memorandums regarding direct deposits are sent at least every other year to individuals to encourage direct deposit. This office will continue to try and encourage timely cashing of the monthly retirement allowance check.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2013	2012	2011
Net Assets Available For Benefits:			
Cash	\$6,747,355	\$6,265,499	\$5,452,901
Pooled Alternative Investment Funds	4,945,393	6,581,591	6,332,382
Pooled Real Estate Funds	3,722,396	5,978,372	6,090,161
PRIT Cash Fund	722,020	133,034	768,500
PRIT Core Fund	262,877,239	229,435,690	204,441,807
Prepaid Expenses	4,177	4,177	0
Accounts Receivable	<u>320,048</u>	<u>492,850</u>	<u>502,527</u>
Total	<u>\$279,338,628</u>	<u>\$248,891,214</u>	<u>\$223,588,277</u>
Fund Balances:			
Annuity Savings Fund	\$91,735,663	\$87,988,523	\$84,257,578
Annuity Reserve Fund	23,094,773	22,217,642	21,804,596
Pension Fund	0	0	0
Military Service Fund	58,827	58,184	52,835
Expense Fund	0	0	0
Pension Reserve Fund	<u>164,449,364</u>	<u>138,626,865</u>	<u>117,473,268</u>
Total	<u>\$279,338,628</u>	<u>\$248,891,214</u>	<u>\$223,588,277</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2011)	\$80,849,393	\$20,807,259	\$0	\$47,404	\$0	\$121,838,921	\$223,542,977
Receipts	8,812,380	622,567	18,816,733	5,431	634,415	245,586	29,137,112
Interfund Transfers	(4,280,397)	4,259,360	4,632,276	0	0	(4,611,239)	0
Disbursements	(1,123,798)	(3,884,590)	(23,449,009)	0	(634,415)	0	(29,091,812)
Ending Balance (2011)	84,257,578	21,804,596	0	52,835	0	117,473,268	223,588,277
Receipts	9,299,436	649,851	19,354,264	5,349	1,921,319	26,658,751	57,888,969
Interfund Transfers	(3,917,229)	3,878,626	5,543,757	0	0	(5,505,154)	0
Disbursements	(1,651,262)	(4,115,432)	(24,898,020)	0	(1,921,319)	0	(32,586,032)
Ending Balance (2012)	87,988,523	22,217,642	0	58,184	0	138,626,865	248,891,214
Receipts	9,580,650	666,912	19,454,657	643	2,138,170	32,975,874	64,816,906
Interfund Transfers	(4,655,691)	4,643,505	7,165,560	0	0	(7,153,374)	0
Disbursements	(1,177,819)	(4,433,286)	(26,620,217)	0	(2,138,170)	0	(34,369,493)
Ending Balance (2013)	\$91,735,663	\$23,094,773	\$0	\$58,827	\$0	\$164,449,364	\$279,338,628

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Members Deductions	\$8,739,048	\$8,400,341	\$8,113,449
Transfers from Other Systems	421,148	360,627	336,449
Member Make Up Payments and Re-deposits	70,207	215,157	90,229
Member Payments from Rollovers	236,467	213,966	85,900
Investment Income Credited to Member Accounts	<u>113,781</u>	<u>109,345</u>	<u>186,353</u>
Sub Total	<u>9,580,650</u>	<u>9,299,436</u>	<u>8,812,380</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>666,912</u>	<u>649,851</u>	<u>622,567</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	539,666	503,352	478,327
Received from Commonwealth for COLA and Survivor Benefits	474,266	781,605	278,128
Pension Fund Appropriation	18,427,032	18,026,376	18,030,235
Settlement of Workers' Compensation Claims	10,950	15,000	23,250
Recovery of 91A Overearnings	<u>2,743</u>	<u>27,930</u>	<u>6,793</u>
Sub Total	<u>19,454,657</u>	<u>19,354,264</u>	<u>18,816,733</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	585	5,288	5,318
Investment Income Credited to the Military Service Fund	<u>58</u>	<u>62</u>	<u>113</u>
Sub Total	<u>643</u>	<u>5,349</u>	<u>5,431</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>2,138,170</u>	<u>1,921,319</u>	<u>634,415</u>
Pension Reserve Fund:			
Pension Reserve Appropriation	314,927	247,587	253,604
Interest Not Refunded	506	981	1,974
Miscellaneous Income	345	9,464	15,519
Excess Investment Income	<u>32,660,095</u>	<u>26,400,720</u>	<u>(25,510)</u>
Sub Total	<u>32,975,874</u>	<u>26,658,751</u>	<u>245,586</u>
Total Receipts, Net	<u>\$64,816,906</u>	<u>\$57,888,969</u>	<u>\$29,137,112</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Refunds to Members	\$822,070	\$836,992	\$778,057
Transfers to Other Systems	<u>355,750</u>	<u>814,270</u>	<u>345,741</u>
Sub Total	<u>1,177,819</u>	<u>1,651,262</u>	<u>1,123,798</u>
Annuity Reserve Fund:			
Annuities Paid	4,321,831	4,064,353	3,702,144
Option B Refunds	<u>111,455</u>	<u>51,079</u>	<u>182,447</u>
Sub Total	<u>4,433,286</u>	<u>4,115,432</u>	<u>3,884,590</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	19,205,727	18,052,488	16,878,668
Survivorship Payments	949,848	1,054,353	878,179
Ordinary Disability Payments	269,629	263,478	271,391
Accidental Disability Payments	2,904,796	2,814,033	2,697,266
Accidental Death Payments	770,557	755,605	765,688
Section 101 Benefits	164,925	162,557	159,264
3 (8) (c) Reimbursements to Other Systems	<u>2,354,734</u>	<u>1,795,507</u>	<u>1,798,553</u>
Sub Total	<u>26,620,217</u>	<u>24,898,020</u>	<u>23,449,009</u>
Expense Fund:			
Board Member Stipend	34,689	37,388	36,758
Salaries	241,680	230,528	225,446
Legal Expenses	43,126	43,525	47,483
Medical Expenses	8	120	53
Travel Expenses	17,718	15,434	11,992
Administrative Expenses	215,330	183,303	132,740
Professional Services	0	0	23,000
Actuarial Services	0	21,000	0
Education and Training	5,540	8,045	4,140
Furniture and Equipment	3,275	801	0
Management Fees	1,432,824	1,240,744	19,201
Consultant Fees	36,583	45,250	38,000
Rent Expenses	50,127	45,950	50,127
Service Contracts	33,088	25,083	22,105
Fiduciary Insurance	24,180	24,147	23,370
Sub Total	<u>2,138,170</u>	<u>1,921,319</u>	<u>634,415</u>
Total Disbursements	<u>\$34,369,493</u>	<u>\$32,586,032</u>	<u>\$29,091,812</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Investment Income Received From:			
Cash	\$14,050	\$12,949	\$12,424
Pooled or Mutual Funds	<u>7,040,265</u>	<u>7,066,227</u>	<u>5,453,363</u>
Total Investment Income	<u>7,054,315</u>	<u>7,079,176</u>	<u>5,465,787</u>
Plus:			
Realized Gains	12,264,313	6,156,517	6,867,744
Unrealized Gains	<u>31,268,828</u>	<u>30,152,573</u>	<u>23,234,896</u>
Sub Total	<u>43,533,140</u>	<u>36,309,090</u>	<u>30,102,640</u>
Less:			
Realized Loss	(690,378)	(203,556)	(933,561)
Unrealized Loss	<u>(14,318,060)</u>	<u>(14,103,414)</u>	<u>(33,216,929)</u>
Sub Total	<u>(15,008,438)</u>	<u>(14,306,970)</u>	<u>(34,150,490)</u>
Net Investment Income	<u>35,579,017</u>	<u>29,081,296</u>	<u>1,417,937</u>
Income Required:			
Annuity Savings Fund	113,781	109,345	186,353
Annuity Reserve Fund	666,912	649,851	622,567
Military Service Fund	58	62	113
Expense Fund	<u>2,138,170</u>	<u>1,921,319</u>	<u>634,415</u>
Total Income Required	<u>2,918,922</u>	<u>2,680,576</u>	<u>1,443,447</u>
Net Investment Income	<u>35,579,017</u>	<u>29,081,296</u>	<u>1,417,937</u>
Less: Total Income Required	<u>2,918,922</u>	<u>2,680,576</u>	<u>1,443,447</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$32,660,095</u>	<u>\$26,400,720</u>	<u>(\$25,510)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2013		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$6,747,355	2.4%
Pooled Alternative Investment Funds	4,945,393	1.8%
Pooled Real Estate Funds	3,722,396	1.3%
PRIT Cash Fund	722,020	0.3%
PRIT Core Fund	<u>262,877,239</u>	<u>94.2%</u>
Grand Total	<u>\$279,014,402</u>	<u>100.0%</u>

For the year ending December 31, 2013, the rate of return for the investments of the Hampden County Regional Retirement System was 14.53%. For the five-year period ending December 31, 2013, the rate of return for the investments of the Hampden County Regional Retirement System averaged 11.18%. For the twenty-nine-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Hampden County Regional Retirement System was 8.79%.

The composite rate of return for all retirement systems for the year ending December 31, 2013 was 15.57%. For the five-year period ending December 31, 2013, the composite rate of return for the investments of all retirement systems averaged 12.13%. For the twenty-nine-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.49%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Hampden County Regional Retirement System has more than ninety percent of their funds invested in the PRIT fund managed by the PRIM Board. Certain residual investment agreements related to holdings of Pooled Alternative Investments and Pooled Real Estate Funds could not be abrogated and remain under the care and custody of the Hampden County Regional Retirement System. Such residual investments generally consist of limited partnership subscriptions for a specific term. These terms are fixed for a period usually not to exceed ten years. As a result, the supplemental investment regulations that were previously approved by the Public Employee Retirement Administration Commission and remain on file at PERAC have been effectively rescinded, except as they pertain to the residual holdings referenced above. A complete list of these regulations is available upon written request and can be accessed via the internet at the following address: <http://www.mass.gov/perac/investsup/HampdenCountyRegionalIntsup.html>

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Hampden County Regional Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$797.64 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$797.64 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-rata will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair market value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board primarily relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Hampden County Regional Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Membership:

September 25, 2007

I. Minimum Earnings Required for Membership

All employees must earn more than two hundred dollars in a calendar year for at least one year in order to be eligible for membership in the retirement system. Once this requirement is met, the individual remains a member of the retirement system even if he or she earns less than two hundred dollars in a calendar year thereafter.

II. Requirements for Membership

A. A permanent full-time employee of any member unit of the Hampden County Regional Retirement System shall become a member of the Hampden County Regional Retirement System on the first day of employment.

B. A part-time permanent employee who normally works more than twenty hours per week shall become a member of the Hampden County Regional Retirement System on the first day of employment.

C. A seasonal employee who normally works more than twenty hours per week for five months or more in a calendar year shall become a member of the Hampden County Regional Retirement System on the first day of employment.

D. Part-time employees whose normal work week is twenty hours or less and seasonal employees whose normal work week is twenty hours or less or who are employed less than five months in a calendar year, temporary or provisional employees shall not become a member of the Hampden County Regional Retirement System until they meet one of the requirements set out in Regulation II. A, B, or C above

January 22, 2010

E. Any employee, whether hired, appointed or an elected official, whose annual salary for the position is less than \$5,000 shall not be eligible for membership in the Hampden County Regional Retirement System.

F. Non-members who request retirement service credit from the Hampden County Regional Retirement System (hereinafter "HCRRS") through another retirement system, for the time they were employed by one of the member units within the HCRRS and not contributing thereto, shall receive no service credit and the HCRRS accepts no liability for such time for said non-member. However, should it be found that through no fault of the individual, the non-member should have become a contributing member of the HCRRS, then the HCRRS will accept liability for retirement service credit per the guidelines set forth by the HCRRS for purchasing of retirement service credit.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

August 19, 1986

A full-time permanent employee becomes a member of the system on the first day of employment. The retirement board considers a temporary part-time, temporary full-time, provisional, seasonal or intermittent employee eligible for membership if the employee has worked 975 hours or its equivalent within a calendar year. Said individuals shall be allowed to purchase that period of employment prior to becoming a member as creditable service. REVISED by rule approved September 18, 1989 and rule approved June 18, 1991 to be effective as of July 1, 1991.

CREDITABLE SERVICE

September 25, 2007

III. Creditable Service for Less Than Permanent Full-Time Employment

A. All employees who are members of the Hampden County Regional Retirement System who are full time permanent, part-time, temporary, provisional or seasonal employees shall receive full creditable service for service rendered during his or her membership in the Retirement System or for any period of creditable service purchased as prior service pursuant to Regulation IV below [IV was not approved].

IV (Not approved)

V Creditable Service for Call Firefighters and Permanent Intermittent or Reserve Police Officers

A. The Board shall credit as full time service not to exceed a maximum of five years that period or time during which a reserve or permanent intermittent police officer or call firefighter was on his or her respective list and was eligible for assignment to duty subsequent to his or her appointment, and provided that such service as a reserve or permanent intermittent police officer or call firefighter shall be credited only if such reserve or permanent intermittent police officer or call firefighter was later appointed as a permanent member of the fire department or police department.

B. Creditable service for a reserve or permanent intermittent police officer or a call firefighter shall be credited with one year of full creditable service for every two full years of service as a reserve or permanent intermittent police officer or call firefighter, as consistent in section 4(2)b of Chapter 32.

C. A call firefighter who is elected in a manner prescribed by the General Laws shall be credited with one year of creditable service for each year as an elected firefighter.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

MISCELLANEOUS

August 19, 1986

VI Record Keeping

The responsibility for record keeping under these rules shall lie with the member unit treasurers of the Hampden County Regional Retirement System.

VII Nomination Procedure for Election of Member's Representative to the Hampden County Regional Retirement Board

A. The Advisory Council to the Hampden County Regional Retirement Board shall meet at the call of its chairman to set the nomination dates pursuant to the following rules:

1. The period of time nomination papers shall be available shall not be less than six calendar days and not more than ten calendar days.
2. Nomination papers will only be available at the Hampden County Regional Retirement Board office between the hours of 9:00 A.M. and 4:00 P.M.
3. Not less than five calendar days and not more than ten calendar days prior to the first day of the opening of the nomination period, the Advisory Council to the Hampden County Regional Retirement Board shall publish in a Springfield newspaper legal notice section a notice of the time, dates and place where nomination papers will be available and shall mail the same notice to the town clerks of those communities which have member units in the Hampden County Regional Retirement System and to the member unit treasurers of the Hampden County Regional Retirement System.
4. The nomination papers to be used are attached hereto as Exhibit A and incorporated by reference.

September 25, 2007

VIII The Disability Benefit/Accidental Death Benefit Determination Process

A. The Hampden County Regional Retirement Board may designate a hearing officer for the purpose of conducting preliminary hearings regarding all ordinary and accidental disability claims as well as accidental death claims.

1. The hearing officer shall be a member of the Massachusetts Bar and be admitted to practice before the courts of the Commonwealth of Massachusetts.
2. The hearing officer shall be a Notary Public and/or a Justice of Peace or be some other official authorized by the Commonwealth of Massachusetts to administer oaths.

B. The hearings conducted by the hearing officer shall comply with the Code of Massachusetts Regulations governing the conduct of a hearing before a Retirement Board pursuant to 840 CMR 10.00.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

1. All witnesses who testify at said hearing shall be sworn by the hearing officer.
 2. All evidence admitted at the hearing shall comply with the Code of Massachusetts Regulations governing admissibility of evidence pursuant to 840 CMR 10.12(f).
 3. There shall be no requirement that the hearing officer maintain a permanent record of the hearing by electronic or stenographic means.
- C. The hearing officer shall within twenty-five days of the conclusion of the hearing, file a report with the Hampden County Regional Retirement Board.
1. Said report shall include the hearing officer's findings of fact and may include a recommended decision of the hearing officer regarding the application before him.
 2. The hearing officer in his report may make the following recommendations:
 - a. He may recommend that the Hampden County Regional Retirement Board grant the application for ordinary or accidental disability benefits or may in the appropriate case recommend the award of accidental death benefits by the Hampden County Regional Retirement Board.
 - b. The hearing officer may recommend that the Hampden County Regional Retirement Board deny accidental disability benefits, ordinary disability benefits or accidental death benefits.
 - c. The hearing officer may forward to the Hampden County Regional Retirement Board a list of findings of facts without a recommended decision.
 - d. Upon receipt of the report by the hearing officer, the Hampden County Regional Retirement Board shall take the following action at a duly called meeting of the Board:
 1. If said report recommends the award or denial of ordinary or accidental disability benefits or an accidental death benefit, the Hampden County Regional Retirement Board may adopt the hearing officer's findings of fact and recommended decision in whole or in part and award or deny benefits or the Hampden County Regional Retirement Board may conduct its own de nova hearing on said application for benefits pursuant to 840 CMR 10.12.
 2. If said report contains no recommended decision, the Hampden County Regional Retirement Board may adopt the hearing officer's findings of fact in whole or in part and award or deny the appropriate benefits or the Hampden County Regional Retirement Board may conduct its own de novo hearing on said application for benefits pursuant to 840 CMR 10.12.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

IX Withdrawal of Retirement Application

An applicant for superannuation retirement, ordinary disability or accidental disability retirement may withdraw his or her respective retirement application at any time prior to the date the application becomes effective.

X Public Officials Regulation

A person appointed by the Mayor, Board of Selectmen, Town Council or Retirement Board, to serve as a member of a public Board or Commission or as a public official in a member unit of the Hampden County Regional Retirement System including but not limited to a member of the Retirement Board, Planning Board, Board of Public Health, Town Counsel, Assessor, Legal Counsel, Police Chief or Fire Chief, shall be entitled to membership in the Hampden County Regional Retirement System provided that the person earns at least two hundred dollars in a calendar year, and regardless of whether the person is employed more than twenty hours per week.

Credit for such service shall be calculated by using a fraction in which the denominator is 1000 and the numerator is the actual hours employed in a calendar year by the person. If the numerator equals or exceeds the denominator then the person shall be entitled to one year of creditable service per calendar year of actual service. If the numerator is less than the denominator then the fraction shall be multiplied by 12 to determine the number of full months of creditable service the person is entitled to receive.

If the person receives a stipend or annual payment or compensation without a requirement of hours to be worked, then creditable service shall be determined by using a fraction in which the denominator is 2400 and the numerator is the amount of stipend paid or compensation received by the person in a calendar year. If the numerator equals or exceeds the denominator then the person shall be entitled to six months of creditable service per calendar year of actual service. If the numerator is less than the denominator then that fraction shall be multiplied by 183 to determine the number of days of creditable service the person is entitled to receive.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Durable Power of Attorney

January 28, 2002

The Retirement Board has prepared for its members, retirees and beneficiaries use, a Durable Power of Attorney form which the Board strongly urges all persons contemplating the need for such form to complete and forward to the Retirement Board. The purpose of this regulation is to encourage uniformity in the use of these documents and to reduce the opportunity for misfeasance and/or fraud.

Signature on the Disability Transmittal

September 25, 2000

The board authorizes, after approval of an application for disability retirement by the Retirement Board at a formal meeting, the Executive Director or in his absence the Assistant Director to sign the PERAC transmittal form regarding that disability.

Annual Affidavit

February 1, 1990

Board granted waiver of requirement under 840 CMR 15.01(c) that retired members annually provide "a statement certifying that the member or beneficiary is currently living".

Travel Regulations

October 18, 2002

The Hampden County Regional Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website.

[http://www.mass.gov/perac/Hampden County Regional](http://www.mass.gov/perac/Hampden%20County%20Regional).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of a Chairperson who shall be elected by the other four members, a second member appointed by the advisory council, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Chairperson	Richard M. Theroux	Term Expires	12/31/2020
Second Member:	Laurel A. Placzek	Term Expires:	12/31/2015
Elected Member:	Karl J. Schmaelzle	Term Expires:	12/31/2017
Elected Member:	Patricia C. Donovan	Term Expires:	12/31/2016
Fifth Member:	Patrick E. O'Neil	Term Expires:	12/02/2019

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Segal Company as of January 1, 2014.

The actuarial liability for active members was	\$281,700,350
The actuarial liability for inactive members was	5,956,191
The actuarial liability for retired members and beneficiaries was	<u>277,866,277</u>
The total actuarial liability was	\$565,522,818
System assets as of that date were (actuarial value)	<u>266,930,021</u>
The unfunded actuarial liability was	<u><u>\$298,592,797</u></u>
 The ratio of system's assets to total actuarial liability was	 47.2%
As of that date the total covered employee payroll was	\$100,077,260

The normal cost for employees on that date was 8.9% of payroll

The normal cost for the employer (including administrative expenses) was 5.2% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	7.875% per annum
Rate of Salary Increase:	4.50% per annum – Varies by Group and Service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2014	\$266,930,021	\$565,522,818	\$298,592,797	47.20%	\$100,077,260	298.40%
1/1/2012	\$244,053,652	\$499,009,329	\$254,955,677	48.9%	\$94,037,543	271.1%
1/1/2010	\$220,585,830	\$422,756,972	\$202,171,142	52.2%	\$91,149,295	221.8%
1/1/2008	\$241,788,905	\$363,670,449	\$121,881,544	66.5%	\$87,000,711	140.1%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retirement in Past Years										
Superannuation	63	63	52	45	59	71	75	67	62	69
Ordinary Disability	0	1	1	1	0	1	0	0	0	0
Accidental Disability	2	4	3	6	4	3	4	2	2	4
Total Retirements	65	68	56	52	63	75	79	69	64	73
 Total Retirees, Beneficiaries and Survivors	1,423	1,476	1,474	1,475	1,457	1,496	1,537	1,553	1,554	1,590
 Total Active Members	2,500	2,520	2,544	2,618	2,634	2,555	2,551	2,513	2,515	2,538
Pension Payments										
Superannuation	\$11,594,197	\$12,379,087	\$12,830,172	\$13,334,483	\$13,859,283	\$14,799,867	\$15,743,094	\$16,878,668	\$18,052,488	\$19,205,727
Survivor/Beneficiary Payments	706,330	754,949	799,231	811,254	825,001	843,982	861,746	878,179	1,054,353	949,848
Ordinary Disability	307,352	280,754	268,149	268,949	273,362	278,711	276,989	271,391	263,478	269,629
Accidental Disability	2,191,743	2,351,488	2,485,297	2,450,127	2,522,024	2,643,032	2,691,057	2,690,473	2,786,103	2,904,796
Other	<u>2,499,811</u>	<u>1,734,897</u>	<u>2,328,525</u>	<u>2,402,302</u>	<u>2,403,754</u>	<u>2,455,621</u>	<u>2,725,584</u>	<u>2,723,505</u>	<u>2,713,669</u>	<u>3,290,217</u>
Total Payments for Year	<u>\$17,299,433</u>	<u>\$17,501,175</u>	<u>\$18,711,374</u>	<u>\$19,267,115</u>	<u>\$19,883,424</u>	<u>\$21,021,213</u>	<u>\$22,298,471</u>	<u>\$23,442,216</u>	<u>\$24,870,091</u>	<u>\$26,620,217</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Hampden County Regional Retirement Board leases approximately 3,038 square feet of space for its offices located at Suite 116, Agawam Corporate Center, 67 Hunt Street, Agawam, MA. They signed an initial 5-year lease term (\$16.50 per sq ft) which expired April 30, 2012. An amendment was signed to extend the lease to April 30, 2017. The landlord is Pine Creek Agawam Limited Partnership.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2013:

<u>For the year ending:</u>	<u>Annual Rent</u>
2014	\$50,127.00
2015	\$50,127.00
2016	\$50,127.00
2017 to April 30, 2017	<u>\$16,709.00</u>

Total minimum lease payments required \$167,090.00

Note: A Security Deposit of \$4,177.25, equal to one month's rent, was paid to the landlord on May 15, 2007.

PERAC

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